

Challenges in Establishing Agribusiness Ventures in India

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ABSTRACT

Agri Clinics and Agri Business Centres (ACBAC) Scheme was launched in 2002 to supplement the efforts of the government extension system by transforming agricultural graduates as agripreneurs. Nevertheless, only about 30 per cent of the trained graduates could establish agribusiness ventures successfully. This necessitates delineation of challenges to be addressed. This study conducted through an ex post-facto research survey during 2011-12 identifies challenges in establishing and sustaining agribusiness ventures as perceived by agripreneurs. The results advocate strategies to refine the implementation of the scheme, so that the success rate in conversion of trained graduates as agripreneurs can be enhanced.

Introduction

The agricultural landscape in India is expanding progressively to embrace entrepreneurship at various stages of back and front-end activities. In this context, ironically, the public extension system of the country has not been able to encounter these emerging challenges in terms of broad-based needs of farmers towards achieving productivity, quality and competitiveness. Hence, the system needs alternate approaches and institutional arrangements (Anonymous, 2003). In contrast, a study on manpower availability in the agricultural sector has indicated that more than 15000 agricultural graduates pass out from State Agricultural Universities (SAUs) every year, of which only about 2000 find jobs in the public and private sectors, leaving a huge number of graduates unemployed (Global AgriSystem, 2009). Notwithstanding wide technology and extension gaps in Indian agriculture, this accumulated technical manpower is unutilized.

Profile of Agri Clinics and Agri Business Centres (ACABC) Scheme

At this juncture, with a view to supplement the efforts of the government extension system in terms of input supply and advisory services and provide gainful employment to unemployed graduates by making them entrepreneurs, the ACABC scheme was launched in 2002 by the Ministry of Agriculture,

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Government of India (Shekara (2003), Anonymous (2003), Karjagiet *al* (2007), Ahire *et al* (2009), Karjagi *et al* (2009), Global AgriSystem (2009)). NABARD through its system, facilitated bank credit on priority sector lending terms. The National Institute for Agricultural Extension Management (MANAGE) is responsible for deciding upon the training content, methodology and duration of training programmes organized by Nodal Training Institutes (NTIs) (which train the graduates for two months) and setting criteria for selection of NTIs. The NTIs, apart from imparting two-months training, are expected to provide handholding support to the graduates in obtaining a loan and setting-up of ventures (Global AgriSystem, 2009). The projects prepared by the graduates during training are eligible for bank loan. The projects can be taken-up either individually or on a joint basis. The outer ceiling for the cost of project by an individual is Rs. 20 lakhs and for the project for groups is Rs.100 lakhs. Input industries are expected to provide dealership, input stocking support etc., to the agripreneurs. Participation of state governments is in the form of providing priority to trained graduates in granting licenses for enterprises.

Thus, the ACABC scheme tries to provide a wide range of services to the farming community. The idea was to bring in professionalism in agricultural extension by agripreneurs and thus contribute to the overall development of agriculture (Glendenning *et al*, 2010 and Shekara *et al*, 2011). However, Karjagi *et al* (2009) reported that there was not much progress from the trained agricultural graduates in establishing business ventures. Only about 30 per cent of the trained graduates have successfully established agribusiness ventures (Shekara *et al*, 2011) and no clear data is available about the sustainability of these business ventures. Such information necessitates assessment of challenges faced by trained graduates in establishing and sustaining agribusiness ventures. This study aims at delineating such challenges.

Methodology

In order to delineate the challenges faced by the agripreneurs in establishing and sustaining agribusiness ventures, an ex post-facto research survey was conducted among successful agripreneurs who underwent refresher training at the National Institute for Agricultural Extension Management (MANAGE), through a structured questionnaire. Thus, the agripreneurs who underwent refresher training during 2011-12 constituted the population of the study. Out of the total agripreneurs contacted, 250 responded completely and served as a sample for the study. The response of the agripreneurs was subjected to mean and percentage analysis.

Findings and Discussion

Profile of Successful Agripreneurs and Agribusiness Ventures

Most of the respondents were male (92%), young to middle aged (84%), had agriculture as an educational qualification (under-graduation/ post-graduation/ diploma) (83%) and up to 6 years of business experience (83%) as may be seen in Table 1.

Table 1. Profile of Successful Agripreneurs (N=250)

State-wise representation	No.	%
Maharashtra	68	27.2
Uttar Pradesh	50	20.0
Karnataka	28	11.2
Tamil Nadu	26	10.4
Jharkhand	19	7.6
Punjab	16	6.0
Andhra Pradesh	10	4.0
Himachal Pradesh	10	4.0
Gujarat	8	3.2
Bihar	7	2.8
Haryana	5	2.0
Kerala	2	0.8
Jammu & Kashmir	1	0.4
Rajasthan	1	0.4
Region-wise representation	No.	%
North	80	32
East	28	11
South	65	26
West	77	31
Age (Years)	No.	%
Young (Up to 35)	125	50
Middle (35-45)	85	34
Old (above 45)	40	16
Educational Background	No.	%
UG/ PG in Agriculture	158	63
Diploma in Agriculture	50	20

UG/ PG in Horticulture	15	6
UG/ PG in Forestry	15	6
UG/ PG in Animal Sciences	8	3
UG/ PG in Engineering	4	2
Gender	No.	%
Male	230	92
Female	20	8
Business Experience (Years)	No.	%
Up to 3 years	70	28
3-6 years	138	55
More than 3 years	42	17

UG-Under-graduate; PG-Post-graduate

About two-thirds of the agripreneurs (68.8%) represented Maharashtra, Uttar Pradesh, Karnataka and Tamil Nadu. However, the overall representation was more from northern (32%) and western (31%) regions.

Nearly one-third (60%) of the agribusiness ventures were agriculture-based. Most of the ventures covered up to 35 villages (72%), up to 700 farmers (64%), provided employment for up to 10 employees (86%) and generated income up to 35 lakhs/ annum (81%) (Table 2). These results point toward the need for strengthening of support services of the scheme in eastern and southern regions, bringing in graduates with educational background in allied sectors of agriculture in order to enable complete services to the farming community and motivating women agricultural graduates to participate in this scheme. These results also imply the extent of impact these agribusiness ventures could bring in terms of number of farmers and villages covered, diversity of services rendered and income as well as employment generated.

Table 2. Profile of Agribusiness Ventures established by successful Agripreneurs (N=250)

Types of agribusiness ventures	No.	%
Agriculture/ Engineering		
Agro-advisory/ input service	75	30
Consultancy	30	12
Seed/ mushroom production	13	5
Fertilizer/ vermicompost production	10	4
Processing	8	3
Training/ campaign units	7	3
Input-testing laboratories	7	3
Horticulture/ Forestry		
Nurseries/ polyhouse units	13	5
Commercial vegetable production	10	4
Consultancy/ landscaping	8	3
Animal Sciences		
Dairy farms	30	12
Poultry/ Emu farms	15	6
Veterinary health-care services	13	5
Goat/ Pig farms	8	3
Feed farm	3	2
Total	250	100
Villages covered (No.)/ Venture		
Up to 35	180	72
35-70	35	14
More than 70	35	14
Farmers served (No.)/ Venture		
Up to 350	135	54
350-700	30	12
More than 700	85	34
Employment generation (persons)/ Venture		
Up to 10	215	86
10-20	25	10
More than 20	10	4
Average annual income (Rs.)/ Venture		
Up to 35 lakhs	202	81
35-70 lakhs	28	11
More than 70 lakhs	20	8

Challenges in establishing and sustaining Agribusiness Ventures

Over two-fifth of the agripreneurs expressed that finance-related constraints such as lack of collateral security (40.0%), delay in loan (46.0%) and refusal of loan from banks (48.8%), high-interest rates for bank loans (55.6%) and lack of financial resources for initial investment (59.2%) were the challenges faced in establishing agribusiness ventures (Table 3). These results imply that there is an urgent need for creating awareness about the scheme among commercial banks in extending financial support and the farmers to support sustenance of ventures. The procedure for obtaining loan has to be simplified to address issues related to collateral security and delay in availing loan. The lack of interest from the banks in funding the scheme may be viewed seriously and a promotional mechanism may be established by NABARD to encourage the banks to come forward. The interest-rate towards the loan for the scheme may be curtailed giving special status to the scheme and considering the impact it has created in terms of number of farmers and villages covered, diversity of services rendered and employment generated. Since the above-mentioned constraints in establishing ACABC ventures have response percentage above the mean response percentage (40.7) (Table 3), these need immediate attention.

Table 3. Challenges faced by agripreneurs in establishing and sustaining ACABC ventures

Challenges in establishing agribusiness ventures	No.	%
Lack of professional background	59	23.6
Inadequate hand-holding	59	23.6
Lack of business background	77	30.8
Lack of family support	79	31.6
Lack of collateral security	100	40.0
Delay of loan from banks	115	46.0
Refusal of loan from banks	122	48.8
High interest rate for bank loans	139	55.6
Lack of resources for initial investment	148	59.2
Mean		40.7
Challenges in sustaining agribusiness ventures	No.	%
Permanent job opportunities	68	27.2
Lack of support from farmers	69	27.6
Business on credit	91	36.4
Lack of support for business expansion	108	43.2
Monsoon failure	112	44.8
No support for dovetailing government schemes	120	48.0
Seasonal income	133	53.2
Competition from established input dealers	135	54.0
Mean		41.8

More than two-fifth of the respondents opined lack of support for business expansion (43.2%), monsoon failure (44.8%) and lack of support for dovetailing government schemes (48.0%), whereas more than half of them expressed that seasonal income (53.2%) and competition from established input dealers (54.0%) were the constraints in sustaining agribusiness ventures (Table 3). To overcome these constraints, there is a need for provision of financial support to broad-base the ventures. In this regard, agripreneurs should be supported to establish two or more ventures based on the local needs, under a single umbrella instead of one venture. This initiative will indemnify from the problems of seasonal income and monsoon failure. Arranging dovetailing of the government schemes with ACABC will protect agripreneurs in terms of competition from established dealers. Separate institutional arrangement may be established either region or state-wise to provide handholding support to the trained graduates in getting loans, establishing ventures and managing the business. Business management consultants may also be hired for the purpose. The above-mentioned constraints have a response percentage above the mean response percentage (41.8) (Table 3) and hence deserve adequate attention.

Conclusion

In order to delineate the challenges faced by agripreneurs of ACABC scheme in establishing and sustaining agribusiness ventures an ex post-facto research survey was conducted among the successful agripreneurs who underwent refresher training at MANAGE, Hyderabad during 2011-12. The results of the study reveal the extent of impact the scheme has brought, in terms of coverage of farmers, villages, income and employment generation and diversity of services rendered to the farming community. The study also advocates the need for refinement of scheme implementation in terms of covering all regions of the country, bringing-in graduates from allied sectors of agriculture, attracting women agripreneurs, refining the loan procedures, facilitating broad-basing of the ventures, dovetailing government schemes with ACABC etc.

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